

**REPORT OF THE AUDIT OF THE
FORMER OWSLEY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Paul Short, Former Owsley County Sheriff
Honorable Kelly Shouse, Owsley County Sheriff
Members of the Owsley County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the former Sheriff of Owsley County, Kentucky, for the year ended December 31, 2001.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the former Owsley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE
FORMER OWSLEY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**

**ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER OWSLEY COUNTY SHERIFF

**For The Year Ended
December 31, 2001**

Ross & Company, PLLC, was engaged to audit the former Owsley County Sheriff's statement of receipts, disbursements, and excess fees for the year ended December 31, 2001. We have issued a disclaimer of opinion on the financial statement taken as a whole. Based upon the work performed, the financial statement is not presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$891 from the prior calendar year, resulting in excess fees of \$4 as of December 31, 2001. Revenues increased by \$6,484 from the prior year and disbursements increased by \$5,593.

Report Comment:

- The Former Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So These Records Are Available For Audit Personnel

Debt Obligations:

The records are not available to determine the debt obligation.

Deposits:

It is unknown if the former Sheriff's deposits were insured and collateralized by bank securities or bonds because there are no records to perform the test of pledge of securities.

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Independent Auditor's Report

We were engaged to audit the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Owsley County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

The former Owsley County Sheriff did not maintain adequate accounting records to allow us to verify the receipts, disbursements, and excess fees and determine the validity of the transactions for the year ended December 31, 2001. We were unable to apply procedures to determine whether the financial statement is presented fairly in conformity with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The former Sheriff's records did not permit the application of other auditing procedures to cash receipts, disbursements, and excess fees for the year ended December 31, 2001.

Since the former Owsley County Sheriff did not maintain accounting records and we were unable to apply other auditing procedures to satisfy ourselves as the cash receipts, disbursements, and excess fees, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our engagement.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, County Judge/Executive
Honorable Paul Short, Former Owsley County Sheriff
Honorable Kelly Shouse, Owsley County Sheriff
Members of the Owsley County Fiscal Court

Based on the results of our findings, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So These Records Are Available For Audit Personnel.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed –
December 9, 2003

OWSLEY COUNTY
PAUL SHORT, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants		\$	24,925
State - Kentucky Law Enforcement Foundation Program Fund			1,814
State Fees For Services:			
Finance and Administration Cabinet	\$	2,784	
Cabinet For Human Resources		<u>146</u>	2,930
Circuit Court Clerk:			
Sheriff Security Service	\$	1,986	
Fines and Fees Collected		2,809	
Court Ordered Payments		<u>144</u>	4,939
Fiscal Court			38,958
Commission On Taxes Collected			33,359
Fees Collected For Services:			
Auto Inspections	\$	800	
Accident and Police Reports		208	
Serving Papers		4,730	
Carrying Concealed Deadly Weapon Permits		<u>1,220</u>	6,958
Other: Miscellaneous			765
Interest Earned			113
Borrowed Money:			
State Advancement			<u>6,000</u>
Total Receipts		\$	<u>120,761</u>

The accompanying notes are an integral part of this financial statement.

OWSLEY COUNTY
 PAUL SHORT, FORMER COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	25,485	
Overtime		<u>4,458</u>	\$ 29,943

Employee Benefits-

Employer's Share Social Security	\$	1,661	
Employer's Share Retirement		<u>1,243</u>	2,904

Contracted Services-

Advertising	\$	584	
Vehicle Maintenance and Repairs		<u>868</u>	1,452

Materials and Supplies-

Office Materials and Supplies	\$	8,771	
Uniforms		<u>2,695</u>	11,466

Auto Expense-

Gasoline			6,941
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Other Charges-

Training	\$	181	
Postage		1,425	
Bond		335	
Carrying Concealed Deadly Weapon Permits		280	
Miscellaneous		897	
Telephone		3,241	
Tower Rent		<u>225</u>	
			6,584

Debt Service:

State Advancement			<u>6,000</u>
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Total Disbursements

\$ 65,290

Net Receipts

\$ 55,471

Less: Statutory Maximum

55,467

Balance Due at Completion of Engagement

\$ 4

The accompanying notes are an integral part of this financial statement.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of December 31, 2001, we were not able to determine the collateral and FDIC insurance together did or did not equal or exceed the amount on deposit. In addition, we were unable to determine if the former Sheriff had or did not have a written agreement with the depository institution securing the Sheriff's interest in the collateral.

COMMENT AND RECOMMENDATION

OWSLEY COUNTY
PAUL SHORT, FORMER COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So These Records Are Available For Audit Personnel

The former Sheriff did not comply with KRS 68.210 "Minimum Requirements Pursuant To KRS 68.210 For All Local Government Officials (And Employees) Handling Public Funds" in that the following was not available for our inspection and testing of transactions:

- A. Daily checkout sheets
- B. Receipts ledger
- C. Disbursement ledger
- D. Proper bonding of officials and personnel in Sheriff's office handling public funds
- E. Bank deposit receipts
- F. Monthly bank reconciliations
- G. Check register
- H. Cancelled checks
- I. Financial statement not published
- J. Annual budget
- K. Pledge of securities unknown

The above inadequate records and documents prevented us from conducting an audit of the books and records.

Former County Sheriff Paul Short's Response: None

PRIOR YEAR:

The Sheriff Should Maintain His Receipts And Disbursements In Accordance With The Uniform System Of Accounts

Sheriff's Response: We agree

The Sheriff Should Comply With KRS 64.840 And Issue Receipts For All Fees Collected

Sheriff's Response: We agree

The Sheriff Should Publish The Annual Settlement Within 60 Days After Year End

Sheriff's Response: We agree

The Sheriff's Office Lacks A Proper Segregation Of Duties

Sheriff's Response: We agree

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON WORK PERFORMED

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The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Paul Short, Former Owsley County Sheriff
The Honorable Kelly Shouse, Owsley County Sheriff
Members of the Owsley County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On Work Performed**

We were engaged to audit the statement of receipts, disbursements, and excess fees of the former Owsley County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated December 9, 2003, wherein we disclaimed an opinion on the financial statement because the former sheriff did not maintain adequate accounting records.

Compliance

As part of obtaining reasonable assurance about whether the former Owsley County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not our objective and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

- The Former Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So These Records Are Available For Audit Personnel

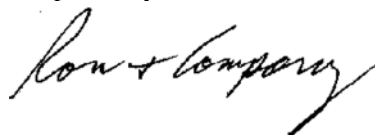
Internal Control Over Financial Reporting

In planning and performing our work, we considered the Owsley County Sheriff's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, is not intended to be, and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
December 9, 2003

